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Our Docket No: 59036-249728

PATENT

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of:
Christopher L. Jones et al.
Application No: 09/495,982
Filed: February 1, 2000
For: FINANCIAL ADVISORY SYSTEM

Telephonic Interview Details

Participants: Examiner Dixon
Jason Scott (inventor)
Mike DeSanctis

Date: Tuesday, July 8, 2003

Time: 1:00 PM EST

PROPOSED INTERVIEW OUTLINE

1) OVERVIEW REGARDING THE FINANCIAL ENGINES INVESTMENT ADVISOR® SERVICE

- a) Helping investors select from available investment products/funds
- b) Optimizing an individual's portfolio (e.g., investments in brokerage acct, 401(k), IRA)
- c) Not creating an investment product or investment fund
- d) An "investment fund" <> an investor portfolio

2) DISCUSSION RE US PATENT NO. 5,812,987 OF LUSKIN ET AL. ("LUSKIN")

- a) Directed to creating and managing an investment fund (e.g., a lifestyle fund) that represents an investment product
 - i) Abstract: "An invention for managing assets in one or more investment funds".
 - ii) Summary: "A time horizon H_i is associated with each [investment] fund F_n ."
 - iii) Summary: "The investment mix of a[n] [investment] fund is strategically adjusted at periodic intervals..."
 - iv) Col. 3, lines 33-35: "The present invention is a system and method for managing assets in investment funds wherein each fund has a fixed time horizon"
- b) Suggests investors should perform manual tailoring of their investments for their needs
 - i) Col. 4, lines 14-17: "The risk R of a fund F_n provides individual investors with information about the fund to assist tailoring their investments in accordance with their own risk preferences."

- c) Figure 6 relates to adjusting the investment mix for a hypothetical individual having a particular horizon
 - i) Col. 6, lines 33-35: "In a preferred embodiment, the investment mix of a fund F_n is adjusted 522 as a function of the risk R_i, where R_i varies with the length to horizon L_H associated with the fund F_n." (emphasis added).
 - ii) Col. 6, lines 61-62: "FIG. 6 is a general flow chart of a preferred embodiment of practicing the adjusting step 522 of the present invention." (emphasis added).
 - iii) The fund is optimized so as to be widely acceptable (e.g., tailored for a class of individuals) (see Col. 7, line 55-58: "Optimizers 900 typically also include an upper bound, which represents a maximum exposure that any investor wishes to have to one or more asset classes or portfolios.")
- d) No mapping
 - i) Luskin is composing a lifestyle fund based upon a desired asset class mix while the mapping process of claim 1, for example, essentially decomposes a financial product to allow it to be characterized in terms of asset class exposures.
 - ii) Luskin has no need for identifying a relationship between returns of investment products and asset classes (mapping) because the methodology relates to creating and managing a fund (without being limited to a particular available set of investment products). Consequently, Luskin can simply buy the desired asset allocation rather than having to figure out how to achieve the desired asset allocation based upon the available set of investments products.

3) DISCUSSION OF AN EXEMPLARY CLAIM

- a) Claim 1 requires
 - i) "creating a mapping from each financial product of an available set of financial products onto one or more assets classes of the plurality of asset classes by determining exposures of the available set of financial products to each asset class" (emphasis added)
 - ii) "determining expected returns and volatility of returns for each of a plurality of portfolios [of financial products] on the efficient frontier based upon the mapping" (emphasis added)
 - iii) "identifying a recommended portfolio [of financial products] ... that maximizes an expected utility of wealth for a particular investor" (emphasis added)

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